KPMG

Tax - Breaking News

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Consistent with our commitment to keep you updated on most significant international tax developments, we inform you about the recent public consultation document issued by the OECD regarding the abuse of “residence by investment” (RBI) and “citizenship by investment” (CBI) schemes, in an attempt to circumvent the Common Reporting Standard (CRS).

Introductory remarks

— The monitoring and the implementation of Common Reporting Standard (CRS) is an ongoing task for the Organization for Economic Cooperation and Development (OECD).

— In view of the fact that over 100 Jurisdictions have committed to exchange information with each other under the CRS and more than 2 600 bilateral exchange relationships have already been activated as of 21 December 2017, the Automatic Exchange of Information for Financial Accounts under the CRS is becoming a reality.

— Following the public consultation on the mandatory disclosure rules for addressing CRS avoidance arrangements and offshore structures, completed on 15 January 2018, the OECD has recently released another consultation document to address the abuse of “residence by investment” (RBI) and “citizenship by investment” (CBI) schemes, in an attempt to circumvent the CRS.

The public Consultation document

— The OECD release reflects reasonable concerns about Jurisdictions offering CBI or RBI schemes that allow foreign individuals to obtain citizenship or temporary or permanent residence rights in exchange for local investments or against a flat fee.

— Although the aforementioned RBI or CBI schemes offer opportunities and motivations, they can be, at the same time, misused for money-laundering and tax-evasion.

— As part of OECD’s strategy to identify exploitable gaps in the CRS, a discussion draft for public consultation was issued, focusing on:

- How can CBI and RBI schemes be used to circumvent CRS reporting.
- Which RBI and CBI schemes are at high risk for abuse.
- How the correct application of existing CRS due diligence procedures can minimize the circumvention of the CRS.
- What next steps the OECD will undertake to further address the issue.

— In this regard, the OECD seeks public input to obtain further evidence on the misuse of RBI/CBI schemes and on effective ways for preventing abuse.

— The consultation period will last from 19 February 2018 to 19 March 2018.

KPMG comments

— As a result of RBI/CBI schemes offered by more and more Jurisdictions (including Greece and Cyprus), individuals may hold multiple tax residences in different Jurisdictions. In such cases and in accordance to CRS rules, account holders and entities’ beneficial owners are required to self-certify **all** possible jurisdictions of residence for tax purposes.

- Hence, taxpayers will not have the choice to provide selective information in an attempt to avoid automatic exchange under CRS. In such instances, they may, under conditions, face sanctions for false self-certification and other significant consequences, such as being prioritized for tax or/and money-laundering audits.

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